

103 KAR 16:010. Taxable income; coal royalty.

RELATES TO: KRS 141.010

STATUTORY AUTHORITY: KRS Chapter 13A

NECESSITY, FUNCTION, AND CONFORMITY: This administrative regulation explains the special income tax deduction provided for corporations in KRS 141.010(12)(d) for certain income from the disposal of coal.

Section 1. Taxable income from disposal of coal (including lignite) held by the owner for more than six (6) months before disposal, under any contract by which the owner retains an economic interest in such coal, shall be fifty (50) percent of the gross royalty income less "deductions allowed by Section 63(a), Internal Revenue Code, to the extent that these deductions are not excluded by Section 272, Internal Revenue Code."

Section 2. Taxpayers reporting income under KRS 141.010(12)(d) cannot deduct percentage depletion on such income; however, cost depletion is deductible. This subsection does not preclude a mining company from taking percentage depletion on its production. (IC-1-1; 1 Ky.R. 138; eff. 12-11-74; Am. 20 Ky.R. 2873; eff. 5-18-94.)